

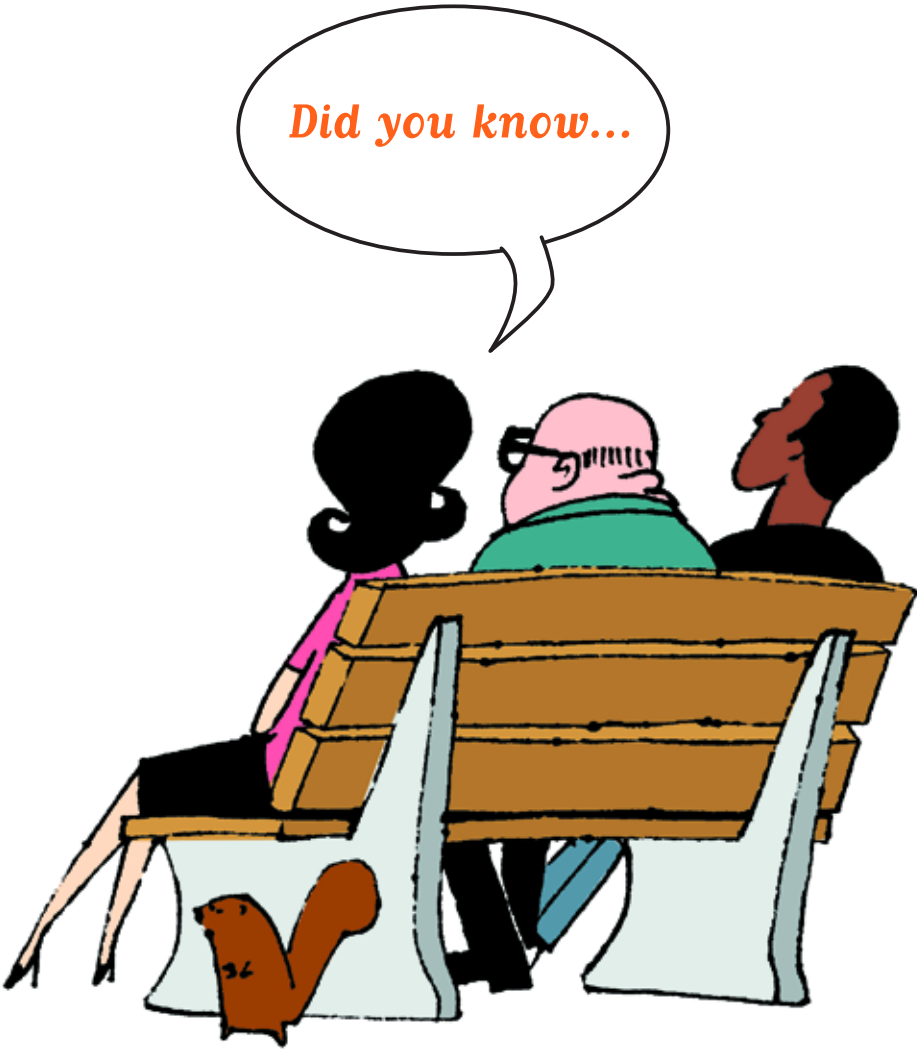


1999 Annual Report

WellPoint Health Networks Inc. 1999 Annual Report



WellPoint Health Networks Inc.  
1 WellPoint Way  
Thousand Oaks, CA 91362  
www.wellpoint.com





Heather, guess what...  
I'm pregnant!

But in most health plans, my  
choice of doctors is limited,  
isn't it?

Congratulations Susan!  
I have a great obstetrician  
you're gonna love...

With most WellPoint  
health plans, you have broad  
**CHOICE**  
about which doctors you want to see.  
That put me in control  
of my pregnancy.

So I said  
to the guy,  
"If you want  
choice, value,  
security and  
innovation in  
your health plan,  
you gotta  
look at  
WellPoint..."

Geez,  
I was  
hoping  
they'd  
draw me  
thinner

All of  
these  
choices  
are  
making  
me thirsty

Choice  
makes  
my tail  
wag

About three out  
of every four  
Wellpoint members  
are in open  
access plans.



Later that day...

You know...  
I've been thinking about  
switching to WellPoint...

But...  
I'm not sure  
I can afford it.

I think you'll be  
pleasantly surprised at the  
**VALUE!**  
Some of their plans cost  
less than \$70/month per person!

Now I can  
afford a  
toupee.

\$70?  
I see a  
new car  
in my  
future.

TAXI!  
Do you know that  
WellPoint does business  
in California as  
Blue Cross of California!

...and as UNICARE  
throughout the rest of the  
United States, Ma'am.

It's cheaper  
to have  
quality  
health  
insurance  
than to  
get stuck  
with all  
those  
hospital  
bills.

[www.wellpoint.com](http://www.wellpoint.com)  
[www.bluecrossca.com](http://www.bluecrossca.com)  
[www.unicare.com](http://www.unicare.com)



A few days later...

I know that  
regular prenatal care  
is really important  
during pregnancy.

WellPoint uses  
nationally recognized  
standards of care which  
gives me a feeling of  
**SECURITY.**

Howdy, good  
neighbor!  
Is your house  
on fire or is  
your husband  
at the  
barbeque  
again?

Hello MedCall®?  
I'd like to speak to a nurse  
about smoke inhalation.

Hey honey, it says  
that WellPoint's working to  
reduce administrative hassles  
and make it easier for doctors  
to help their patients.

GOVERNMENT  
REPORT  
STICKING YOUR FACE  
IN BOB SMITH'S  
IS NOT GOOD

And in setting care  
guidelines, WellPoint  
employs proven  
treatment protocols...

Belly rubs  
really stretch  
out the  
"dog years"

I helped Dad  
find my pediatrician  
through the  
Internet.



A few weeks later...

# WELLPOINT STORY

I get the feeling my health care company sees me as a file number, not a person.

WellPoint's plans are flexible so they can change as your health care needs change. Their goal is to develop a **RELATIONSHIP** that can last a long time.

I see all kinds come through here... but they all need health care coverage.

I heard great reviews. What's it about?

It's about a nation that falls in love with a health care company that focuses on customer choice.

I remember seeing this when I was a little girl. Great stories never get old.

WELLPOINT serves the health care needs of millions by focusing on access, quality and affordability.

"A winner - WELLPOINT zags when everyone else is zigging."  
-Forbes

"America's most admired health care company."  
-Fortune



Sometime in the future...

I can't believe little Gary is already in daycare!

Heather, thank you again for recommending WellPoint. You know, I used to think health care was out of control, and that the government should do something about it.

Well, there is a place for oversight, but government red tape can add complexity and cost. **INNOVATION** is the driving force behind WellPoint's success in making health care accessible and affordable.

Hmm... I see WellPoint provides administrative and managed care services to self-insured employers. I'll bet I can use that in my business.

One sheep... two sheep... the mantra isn't working

**WellPoint**  
We're not content to settle for a "one-size-fits-all" approach to health care. We're always looking for better ways to help our members get the right care.

WellPoint offers open access medical plans, pharmacy, dental, vision, life, disability and long-term care insurance. Let's see government do all that!

A company organized by customers, not products? Now, that's innovation!

WellPoint's Baby Connection really helped me and my folks when I was born early

WellPoint's working toward paperless claims.

NEXT STOP HEALTH CARE SECURITY

Excuse me, but I just found out I'm pregnant... could you recommend a good obstetrician?

# REDEFINING HEALTH CARE THROUGH CHOICE

## WELLPOINT HEALTH NETWORKS

WellPoint Health Networks Inc. is one of the nation's largest publicly traded health care companies. We serve the health care needs of 7.3 million medical and nearly 32 million specialty members nationally through Blue Cross of California in California and UNICARE throughout other parts of the country.

WellPoint offers a broad spectrum of quality network-based health products, including open access PPO, POS and hybrid products, HMO and specialty products. Specialty products include pharmacy benefit management, dental, utilization management, vision, mental health, life and disability insurance, long-term care insurance, flexible spending accounts, COBRA administration and Medicare supplements.

WellPoint has more than 10,000 employees and our corporate headquarters is located in Thousand Oaks, California. Common Stock of WellPoint Health Networks Inc. trades on the New York Stock Exchange under the symbol WLP.

WellPoint is committed to putting individuals back in control of their health and financial future.

## BLUE CROSS OF CALIFORNIA

Blue Cross of California (BCC) is the principal California operating subsidiary of WellPoint Health Networks. Serving the needs of Californians since 1937, BCC provides services to more than five million medical members.

BCC offers a broad continuum of coverage options to meet the needs of the individual, small group, large group, senior and public entity markets.

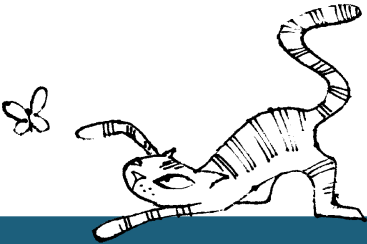
*A leading California health care company*

## Our Vision

WellPoint will redefine our industry through a new generation of consumer-friendly products that put individuals back in control of their health and financial future.

## Our Mission

The WellPoint Companies provide health security by offering a choice of quality branded health and related financial services designed to meet the changing expectations of individuals, families and their sponsors throughout a lifelong relationship.



## UNICARE

UNICARE, which serves 2.2 million medical members, has been the brand name for WellPoint's businesses outside California since 1995.

UNICARE's strategy is to offer a diversified mix of managed care products while focusing on the development of new hybrid plans which take advantage of the best characteristics of traditional managed care and innovative open access models.

*Developing a national reputation for innovation*



FINANCIAL HIGHLIGHTS

(In thousands, except per-share data and membership)					
	Year Ended December 31,				
	1999	1998	1997	1996	1995
<b>Consolidated Operating Results<sup>(A)</sup></b>					
Revenues	\$7,485,427	\$6,478,350	\$5,642,238	\$3,970,832	\$2,958,824
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	297,211	319,548	229,437	198,518	174,755
Net income	278,544	231,280	227,409	202,002	179,989
<b>Per-share data<sup>(B) (C)</sup></b>					
Income from continuing operations before extraordinary gain and cumulative effect of accounting change					
Earnings per share	\$ 4.50	\$ 4.63 <sup>(D)</sup>	\$ 3.33 <sup>(E)</sup>	\$ 2.99	\$ 2.63 <sup>(E)</sup>
Earnings per share assuming full dilution	\$ 4.38	\$ 4.55 <sup>(D)</sup>	\$ 3.30 <sup>(E)</sup>	\$ 2.99	\$ 2.63 <sup>(E)</sup>
Net income					
Earnings per share	\$ 4.22	\$ 3.35 <sup>(D)</sup>	\$ 3.30 <sup>(E)</sup>	\$ 3.04	\$ 2.71 <sup>(E)</sup>
Earnings per share assuming full dilution	\$ 4.10	\$ 3.29 <sup>(D)</sup>	\$ 3.27 <sup>(E)</sup>	\$ 3.04	\$ 2.71 <sup>(E)</sup>
<b>Consolidated Financial Position<sup>(A)</sup></b>					
Total assets	\$4,593,234	\$4,225,834	\$4,234,124	\$3,149,378	\$2,471,360
Total liabilities	3,280,534	2,910,611	3,010,955	2,278,919	801,134
Total stockholders' equity	1,312,700	1,315,223	1,223,169	870,459	1,670,226
<b>Membership</b>					
Medical	7,300,000	6,892,000	6,638,000	4,485,000	2,797,000
Pharmacy	21,980,000 <sup>(F)</sup>	15,003,000	12,290,000	11,517,000	9,883,000
Dental	2,453,000	3,149,000	3,183,000	1,559,000	538,000
Utilization management	2,665,000	2,908,000	2,751,000	—	—
Life	2,125,000	2,156,000	1,758,000	723,000	327,000
Disability	598,000	779,000	1,126,000	107,000	—
Behavioral health	2,157,000 <sup>(G)</sup>	744,000	721,000	502,000	382,000

A. Financial information for periods prior to 1998 has been restated to include the Company's workers' compensation business (which was sold in 1998) as a discontinued operation.

B. Per-share data for periods prior to 1997 has been restated to reflect the adoption of SFAS No. 128.

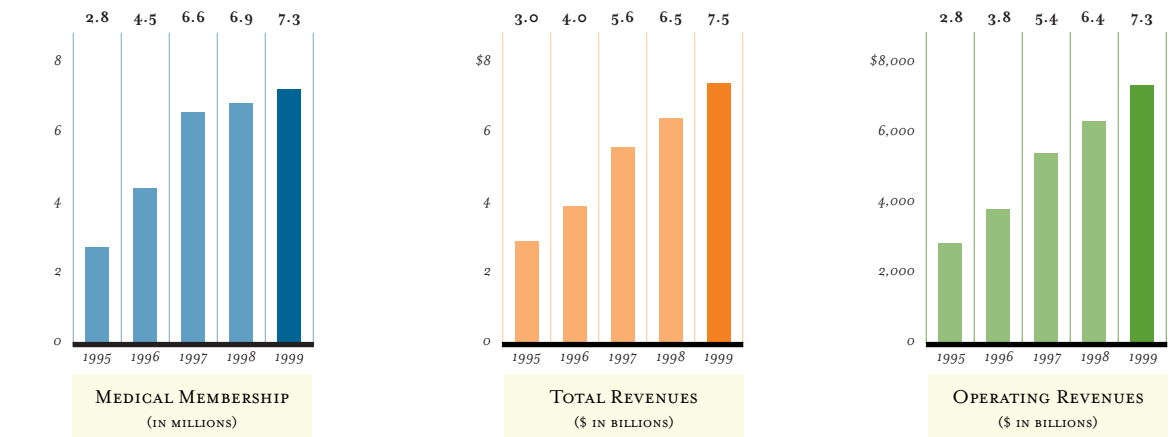
C. Per-share data for all periods prior to 1996 has been recomputed using 66,366,500 shares, the number of shares outstanding immediately following completion of the Company's May 1996 Recapitalization. Per-share data for the year ended December 31, 1996 has been calculated using the number of shares outstanding immediately following the Recapitalization, plus the weighted average number of shares issued subsequent to the Recapitalization.

D. Per-share data for 1998 includes a charge of \$0.42 per basic and diluted share related to the Company's investment in FPA Medical Management, Inc. and income of \$1.24 per basic and \$1.22 per diluted share related to the Company's favorable IRS ruling regarding the deductibility of a cash payment made by the Company's former parent company at the time of its May 1996 Recapitalization.

E. Per-share data includes nonrecurring costs of \$0.13 and \$0.52 per basic and diluted share for 1997 and 1995, respectively.

F. Effective January 1, 1999, WellPoint revised its methodology of counting pharmacy members. As a result of this revision, pharmacy members for whom WellPoint provides claims processing services are now counted separately from pharmacy members for whom WellPoint provides clinical management services. As of December 31, 1999, WellPoint provided both claims processing services and clinical management services to approximately 4.4 million members.

G. The increase in behavioral health membership is due to approximately 1.4 million additional California large employer group and certain state-sponsored program members whose behavioral health benefits were formerly not counted separately from medical benefits.



CHAIRMAN'S LETTER

To Our Stockholders

Although WellPoint experienced its best financial performance ever, the company's stock price declined during 1999. Despite this, stockholders should be optimistic looking forward. You own part of a company that continues to successfully meet customer needs in a growth business. In California alone, WellPoint's medical enrollment, the key indicator of demand for our products and customer satisfaction with them, grew 14.7 percent during 1999, or by 661,000 members. We attracted more new members in California than any competitor, whether publicly traded or not-for-profit.

Our growth in membership and focus on providing value drove WellPoint's financial performance. Revenues grew 16 percent to \$7.5 billion and earnings per share, excluding certain one-time items, increased 17 percent. Operating cash flow, excluding capital expenditures, a reflection of the soundness of our business, amounted to approximately \$800 million during 1999.

1999 STOCK PRICE PERFORMANCE

WellPoint's stock price declined 24 percent in 1999, a disappointing result following outstanding performance in 1998. Although companies in our industry have very different strategies and operational models, the industry as a whole received sharp criticism from many quarters. In addition, new legislation was proposed and, in some cases, passed into law. The potential threat of new, costly class action litigation also surfaced in the fourth quarter of 1999.

With the strength of our business, we viewed the weakness in our stock price as an opportunity to repurchase WellPoint common stock in the open market.



Since August 1998, we have acquired 9.6 million shares, or about 14 percent of the issued shares. Accordingly, stockholders who purchased our stock prior to August 1998 now own 14 percent more of a company which just completed its most successful year yet.

### THE INDUSTRY’S IMAGE

The negative sentiment causing weakness in managed care stocks in 1999 has to a certain degree been fueled by the industry itself. While we helped to reduce the double digit medical inflation of the late 1980s and early 1990s to single digit levels, the industry made mistakes and lost the trust of the American people along the way. Communication about what we do, or don’t do, was poor. Administrative hurdles and a mountain of paperwork encumbered physicians, hospitals and other health professionals.

Companies in our industry have an important and delicate role in the health care system. We fund needed health care services for our members while trying to keep premiums affordable. If we do this well, we add significant value to the system.

As it turns out, many health plans do a good job with this balancing act. Studies and surveys show that most members approve of their specific health plan. For example, Health Plan Employer Data Information Set (HEDIS) data show that 80 percent of members of Blue Cross of California, one of our operating units, are satisfied. Yet as a whole, consumers disapprove of the managed care industry.

Clearly, managed care today is at a turning point. We must take positive action to address the industry’s shortcomings — real and perceived. Customers vote for a health plan when they enroll. The strong member enrollment growth we experienced in 1999 and prior years indicates WellPoint is doing many things right. But we need to do more.

### PUTTING CUSTOMERS FIRST

Key to the turnaround in public opinion is doing the right thing for customers. WellPoint has long focused on the needs of the customer. Consumer choice and empowerment are the hallmarks of our business approach. We are organized around customer segments rather than products. Our corporate mission is to redefine health care and put individuals back in control of their health and financial future. This focus on choice will not change.

An area of continuing focus for WellPoint is our effort to improve medical outcomes for our members. If we can facilitate the use of nationally recognized best medical practices, then the quality of care delivered by health care professionals should improve. For example, for members who have certain serious diseases, we offer care managers who help members better understand standards of care for their illness and take an active role in their treatment. We also are working to promote a positive dialogue with physicians, sharing evidence-based treatment protocols with physicians as appropriate. We are devoting more resources to these efforts in 2000.

***“The Platinum list is made up of time-tested companies, not overnight sensations.”***

**— FORBES MAGAZINE**

Another area that can be expanded for the benefit of consumers is the use of independent external review. WellPoint has long used this process in certain instances where there are differing views over whether tests or treatments are medically necessary. Cases are referred for a decision to an independent panel of respected medical professionals. In 1999, WellPoint voluntarily implemented a broader application of external review on an expedited basis.



WellPoint also is participating in industry efforts to reduce the “hassle factor” for members and physicians. For example, we are developing standard formats for providing consumers with benefit and coverage information in clear and simple language.

EXTRAORDINARY RECOGNITION

Throughout 1999, your company received extraordinary third-party recognition. WellPoint was recognized for its operational excellence, customer focus and managerial leadership.

*FORBES* magazine named WellPoint to its Platinum list as one of the country’s best large companies and one of the best performing companies in the health care sector.

*FORTUNE* magazine ranked WellPoint as America’s most admired health care company for the second year in a row. The magazine’s annual report card on corporate reputations rates long-term investment value, quality of management, employee talent and quality of products and services.

**“The companies that rise to the top exemplify precisely the qualities admired in business: ingenuity, profitability and laserlike focus.”**

— FORTUNE MAGAZINE

*WORKING WOMAN* magazine named WellPoint one of the top 25 companies in the nation for executive women. We were lauded for our strong representation of women on our Board of Directors and among corporate officers.

WellPoint’s operating units also received recognition. Blue Cross of California won the Blue Ribbon HMO award for leadership and excellence from the Pacific Business Group on Health, a preeminent large employer purchasing coalition covering more than three million members nationwide. Blue Cross of California was cited for its cooperative efforts with employers, physicians and hospitals.

The “Medical Miracles” advertising campaign for UNICARE, WellPoint’s operating unit outside California, won the gold Effie award for creative achievement in meeting and exceeding objectives. The campaign was judged one of the most effective of the year for an emerging brand.

WellPoint also enhanced its awareness with Wall Street during 1999. The company was added to the S&P 500 Index, a widely followed measure of performance of the U.S. stock market. In addition, we completed a \$1 billion common stock offering, the largest ever in the health care services industry. This stock offering reduced the California Healthcare Foundation’s ownership of our common stock to 4.4 million shares, or approximately seven percent of the company.

GROWTH OPPORTUNITIES

Looking forward, WellPoint will focus on areas of our business that offer growth potential. One area of opportunity is our strategic expansion outside California.

Strategic Acquisitions

Our pending acquisition of Blue Cross/Blue Shield of Georgia (BCBSGA) will give us the number one market share in the State of Georgia. Although the transaction has not yet closed, when BCBSGA does become part of



WellPoint, we expect to introduce hybrid medical plans that combine the best features of open-access PPO products and HMOs. We also see growth potential in the relatively unpenetrated small group and individual markets in the state.

***It is socially responsible and good business  
to help uninsured individuals protect themselves  
and their families from the high cost of significant  
medical care needs.***

On March 1, 2000 we completed the acquisition of Rush Prudential Health Plans of Illinois. This acquisition gives us critical mass in one of our targeted geographies. Rush Prudential has a broad physician and hospital network. The health plan also gives us the ability to expand our product line to include HMO products and, like BCBSGA, to introduce hybrid products similar to those that have been successful in California.

*The Uninsured*

The estimated 44 million uninsured Americans also offer an important opportunity for WellPoint. It is socially responsible and good business to help uninsured individuals protect themselves and their families from the high cost of significant medical care needs. The key question for us: Why do 43 percent of uninsured Americans with family incomes greater than 200 percent of federal poverty guidelines not have health insurance?

A study by the California HealthCare Foundation found that three-quarters of the uninsured cite price as the reason for not purchasing insurance. There is a wide gap between what the uninsured are willing to pay for coverage and

what they perceive the price to be. We offer products with price levels that are within the financial reach of what many of the uninsured say they are willing to pay.

There are approximately 7.1 million uninsured individuals with family incomes that are at least twice the poverty level in regions of the country targeted by WellPoint: California, Texas, Georgia and the Midwest — Illinois, Indiana and Ohio. We believe we can reach out to these people with products that offer value and peace of mind.

*Seniors*

Another area of significant promise for us is the senior and near-senior market. The age 65 and over population is projected to grow by 15 percent per year over the next 10 years. The population between ages 55 and 65 is expected to grow by nine percent annually over the same period. Aging baby boomers will have an enormous impact on the demand for health care services. They expect more from the health care system and have the financial resources to consume more services.

As the federal government moves toward allowing more choices for seniors, WellPoint is well positioned. Our strategy is to create new products that add to and combine the best features of our existing senior offerings which include Medicare supplement, Medicare PPO select, Medicare HMO risk and long-term care insurance.

*Specialty Businesses*

WellPoint also sees growth opportunities in its specialty businesses, including pharmacy, dental, vision, mental health, life and disability coverage. One of our opportunities is to increase sales of these products to our employer groups that currently have medical coverage.



Except for pharmacy, no specialty business serves more than one-third of our total medical membership. This provides an excellent opportunity to increase specialty product penetration into this existing customer base.

*Electronic Connectivity*

The Internet has the potential to increase sales, improve customer service and reduce costs in our industry. To address this potential, WellPoint is developing an e-business division to identify and develop additional Internet-related opportunities.

Despite the significant amount of health information available through the Internet, the purchase of health insurance remains a complex decision for most consumers and generally requires the services of local agents and brokers. As a result, in the individual and small group markets we focus on leveraging the expertise of these agents and brokers with programs like *Agent Connect*. This program allows agents and brokers to present their own unique Internet home page to customers using our sales tools as a service infrastructure.

In the large group market, service issues are especially important in this full employment economy. Human resource managers want their employees to be happy with their benefits and they want a company whose benefit delivery systems improve efficiency. We introduced customer self-service technology in 1999 that allows members to access significant health plan information. These include inquiries about the status and history of claims, deductible status, plan benefit levels, explanation of benefit statements and family status changes. In 2000, we plan to introduce a Web-based enrollment capacity for large employers that will allow human resources professionals to efficiently perform a variety of administrative functions. The system also will allow employees to select and enroll in a health plan on-line.

Electronic connectivity with regard to medical claims submission is another area that offers opportunity. WellPoint receives the majority of its hospital claims electronically. However, physicians submit a relatively low percentage of medical claims electronically. If we can find ways to increase connectivity, everyone benefits.

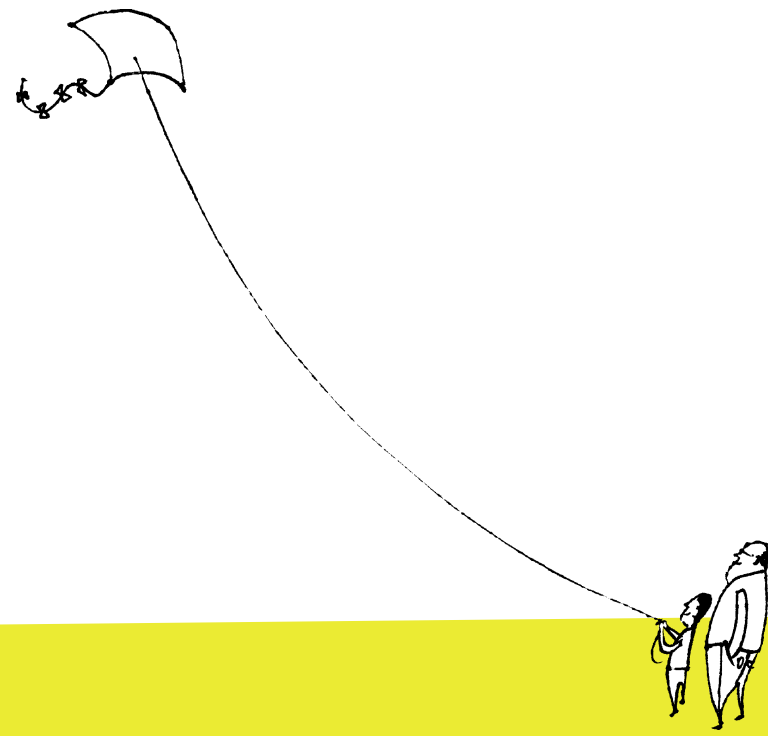
2000 OUTLOOK

WellPoint’s operational and financial success in 1999, and the recognition associated with it, directly reflects the leadership of our Board of Directors and the hard work and dedication of our associates. We believe we have one of the best, most innovative teams in the industry that will enhance share-holder value into the 21st century.

We also believe that we create value for our customers who depend on us to fund their health care needs. What we do makes a difference in making health care affordable for Americans. Our commitment to affordable and accessible health care is the driving force behind our efforts to redefine the industry. WellPoint’s new generation of consumer-friendly products put individuals back in control of their health and financial future.



*Leonard D. Schaeffer*  
Leonard D. Schaeffer  
Chairman and Chief Executive Officer  
March 2000



### **Did you know...**

*A young family of four in San Francisco could pay as little as \$173 a month for health insurance coverage through WellPoint's new Saver PPO.*

# DELIVERING CHOICE AND VALUE

Today's consumers have legitimate concerns about the role of companies that provide health insurance. Amid the valid criticism, misconceptions have arisen. One misconception is the notion that consumer choice is necessarily limited. There also is a growing concern that medical coverage is unaffordable, especially for small organizations and individuals.

Giving consumers a choice of restrictive medical plans is not real choice. WellPoint helps customers exercise more control over their health care decisions by offering a wide variety of open-access products that offer more flexibility in selecting and paying for medical coverage and services.

### ***Broad Range of Products***

More than five million of WellPoint's 7.3 million medical members have selected our Preferred Provider Organization (PPO) products. These products offer broad access to a large network of health care professionals and hospitals. A key feature of our PPOs is the ability of the member to choose a primary care doctor and to self-refer to specialists.

Our PPO products also provide significant financial flexibility. Customers can choose from a wide range of premium, co-pay and deductible combinations to make their selection as affordable as possible.

At the other end of the product spectrum, we offer Health Maintenance Organization (HMO) products in selected markets. These products generally offer attractive benefits, including preventative care, with access to a narrower network of physicians and hospitals compared with our PPOs. Members select a primary care physician to help with most of their health care needs.

WellPoint also offers hybrid products in the middle of the spectrum that combine the best features of PPOs and HMOs. For example, our PPO Saver Plan replaces deductibles with co-pay options allowing members to pay a fixed fee for doctor visits. Our HMO Saver Plan reaches more customers with relatively lower premiums made possible by the addition of a deductible for certain hospital services.

### ***Flexibility for Employers***

WellPoint offers choice to employers, particularly those operating in the small group market.

In California, our Employee Elect Plan enables small employers to offer each of their employees the freedom to choose from an unprecedented selection of medical and dental plans. With Employee Elect, small group employers have the option of allowing their employees to choose from nine different medical plans, including four co-pay PPO plans, two high-deductible PPO plans and three HMO plans.



*Did you know...*

*According to recent estimates, one in four adults in the United States has high blood pressure. Because there are no symptoms, over one-third of these people don't even know they have it.*

Employee Elect offers small groups choices that until recently were only available to employees of large companies.

Another successful product for small groups is our Premier Plan, directed toward employers who wish to attract employees by offering more generous benefits. This plan is a popular employment incentive for Silicon Valley companies and professional service organizations such as venture capitalists, consultants and law firms. It offers generous benefits — 90 percent co-insurance with very low out-of-pocket expenses like a \$10 co-pay. Reflecting today's full-employment economy, it is currently our best-selling plan in the small group market.

WellPoint's diverse portfolio of products and services also includes a variety of pharmacy products, dental plans, life and disability insurance and long-term care insurance. We also offer a full range of mental health and substance abuse programs including employee assistance programs.

Our company helps seniors make up the difference between health care costs incurred and the amount covered by Medicare. Our Medicare Select Plan is a PPO that allows seniors to visit any network doctor. It also covers many out-of-pocket costs for network hospital services.

# PROMOTING QUALITY



Given our industry's historical focus on the utilization of medical services and cost control, it is no surprise that some continue to believe that medical necessity decisions at health plans are made by someone other than a physician.

*Positive Medical Outcomes*

In an effort to raise the bar on the quality of care, we are focusing our efforts to help members receive the right care at the right time in the right setting.

At WellPoint, our medical management approach is focused on achieving successful outcomes for the member who needs medical services. We view our role as a facilitator, helping our members understand and receive the most appropriate care for their medical need, based on the opinions of independent health care experts. For many diseases and chronic conditions, our health care professionals share with the member and, as appropriate, with their doctor, nationally recognized treatment protocols from top academic institutions and leading specialty medical associations.

Key to this process is the early identification of at-risk members for chronic conditions such as diabetes, asthma, coronary artery disease and other conditions. Members are identified through a variety of means — surveys, medical and pharmacy claims data, inpatient admissions, emergency room visits, outpatient services, physician referrals, wellness programs and WellPoint's personal telephonic or Internet-accessible health risk assessment tools.

Once high-risk members are identified, our professional care managers contact them.

*Did you know...*

*Asthma is the third leading cause of preventable hospitalizations in the United States. Adhering to a comprehensive patient education program helps improve the quality of life for asthma sufferers and reduces visits to doctors’ offices and emergency rooms.*

They assess members’ knowledge of their condition, current treatment plan and conditions at home or at work that could impact their health. The member also receives continuous education about the current standard of care for the members’ condition, backed by independent evidence by accredited health care resources.

In addition to personal contact between the member and care manager, the Company’s medical management programs employ a full-team approach. Personal physicians, pharmacists, care managers, ancillary providers and members all work together to coordinate the member’s care.

Direct member intervention in these cases often leads to better, more successful outcomes.

*Access to Care*

WellPoint offers a variety of programs designed to increase access to quality health care. For example, our MedCall® program, which offers access to health information from registered nurses, is one way to deliver medical services in a timely and efficient manner. This toll-free number includes an extensive audio library along with live support around the clock, every day of the year.

In California, WellPoint’s Blue Cross of California is a participant in the California Major Risk Medical Insurance Program (MRMIP), an innovative program developed to provide health insurance for Californians who are unable to obtain coverage on the open market. We also serve children and teenagers of low-income families through the state’s Healthy Families Program.



# FINDING A BETTER WAY

The perceived shortcomings of our industry have led some to question reliance on the free market to meet the insurance needs of Americans. There is a notion that more government regulation would give consumers greater access to medical care and keep health coverage affordable.

While government oversight can be effective in any industry, well-intentioned regulatory efforts can have unintended consequences. For example, programs that require consumers to purchase certain medical coverages — so-called mandated benefits — can cause premiums to rise and employers and individuals to drop insurance coverage.

A few years ago, certain states passed legislation intended to improve access and coverage levels for individuals and small groups. However, the laws caused significant reduction in the number of plans available and many of these laws had to be repealed or significantly modified.

Excessive regulation stifles competition and innovation. This is especially important in health care where the evolving science base and the changing needs and expectations of consumers requires speed and flexibility. What works today may not work tomorrow. WellPoint’s most innovative products are the result of meeting the needs of customers for choice and value in a free, open and competitive marketplace.



**Did you know...**

*It is a good idea to keep a record of all your current medicines, including their names and regimens.*

**Did you know...**

*In the individual and small group markets, Agent Connect allows agents and brokers to present their own unique Internet home page to their customers using WellPoint's sales tools.*

*The Uninsured*

WellPoint is developing new products to reach a significant portion of the estimated 44 million uninsured Americans.

Research indicates that affordability is a key reason why uninsured individuals who are employed and have family incomes at least twice the federal poverty level do not purchase insurance.

In April 2000, we expect to begin offering a product in California to attract currently uninsured small employer groups. Called Saver PPO, the new product has several innovative benefits including four doctor visits per year per child for a modest \$20 co-pay and first-dollar coverage for laboratory

and X-ray treatments up to \$500 per member per year. Saver PPO also carries \$5 million in lifetime medical expense protection. Most important for the uninsured, this product is affordable — approximately \$75 per month for an individual in their 20s — and offers more freedom and control.

*Innovative Products and Services*

WellPoint continues to develop products and services to meet the changing needs of our customers.

Seniors, age 65 and older, and near-seniors are the fastest growing segment of the population. We have developed a senior care giver program that, for an affordable cost, provides an experienced advocate who keeps the senior navigating through today's

health care system. We also have introduced a product called Senior Passport, which gives seniors access to our network discounts for pharmaceuticals.

Our Blue Cross long term care insurance products have assisted many of our members in taking control of their health and financial future, while maintaining their independence and freedom of choice. We offer a range of products to meet differing needs, including plans that cover home care, assisted living and respite care.

WellPoint will continue to redesign existing products and introduce new ones in an effort to meet the changing needs of our customers and to compete effectively in the marketplace. We expect to play a significant role in shaping the direction of our industry for many years to come.



BOARD OF DIRECTORS



LEONARD D. SCHAEFFER (top row center)  
Chairman of the Board of Directors  
and Chief Executive Officer;  
WellPoint Health Networks Inc.

W. TOLIVER BESSON (top row far left)  
Member of the Audit Committee  
Partner; Paul, Hastings, Janofsky & Walker

SHEILA P. BURKE (top row second from left)  
Member of the Audit Committee and  
the Compensation Committee  
Executive Dean; John F. Kennedy  
School of Government, Harvard University

ELIZABETH A. SANDERS (top row second from right)  
Member of the Audit Committee and  
the Compensation Committee  
Principal; The Sanders Partnership

STEPHEN L. DAVENPORT (top row far right)  
Chairperson of the Compensation Committee and  
Member of the Nominating and Governance Committee  
Former President; D/A Financial Group

JULIE A. HILL (bottom row right)  
Chairperson of the Nominating and Governance  
Committee and Member of the Compensation Committee  
President and Chief Executive Officer;  
Hiram-Hill Development Company

ROGER E. BIRK (bottom row left)  
Chairperson of the Audit Committee and Member  
of the Nominating and Governance Committee  
Former Chairman and Chief Executive Officer;  
Merrill Lynch, Pierce, Fenner & Smith Incorporated

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors  
WellPoint Health Networks Inc.

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of WellPoint Health Networks Inc. as of December 31, 1999 and 1998 and for each of the three years in the period ended December 31, 1999, appearing in the proxy statement for the 2000 annual meeting of stockholders of the corporation (which statements are not presented herein); and in our report dated January 31, 2000 we expressed an unqualified opinion on those consolidated financial statements, which included an explanatory paragraph that effective January 1, 1999, the Company changed its method of accounting for start-up costs related to the Company's providers and sales network development costs. In our opinion, the information set forth in the accompanying condensed consolidated balance sheets as of December 31, 1999 and 1998 and the related condensed consolidated income statements and condensed consolidated statements of changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 1999, when read in conjunction with the consolidated financial statements from which it has been derived, is fairly stated in all material respects in relation thereto.

*PricewaterhouseCoopers LLP*  
PricewaterhouseCoopers LLP  
Los Angeles, California

January 31, 2000

RESPONSIBILITY FOR FINANCIAL STATEMENTS

To the Stockholders of WellPoint Health Networks Inc.

The Company's management is responsible for the integrity and objectivity of the financial information contained in this annual report.

Management maintains and is responsible for systems of internal accounting controls to provide reasonable assurance of the integrity and reliability of the financial statements, safeguarding of assets and that transactions are executed in accordance with management's authorization and are accurately reflected in the books and records of the Company. The Company maintains an extensive internal auditing program that independently assesses the effectiveness of these internal controls with written reports and recommendations issued to the appropriate levels of management. Management believes that the existing systems of internal controls are achieving the objectives discussed herein.

WellPoint's Audit Committee of the Board of Directors is responsible for reviewing the Company's financial reporting, accounting and internal control practices and recommending the selection of independent auditors. The Company's internal and independent auditors have full and free access to the Audit Committee and meet with it to discuss all appropriate matters.

*S. Louise McCrary*  
S. Louise McCrary  
Senior Vice President,  
Controller & Chief Accounting Officer  
WellPoint Health Networks Inc.

January 31, 2000



CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	December 31,	
	1999	1998
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 505,014	\$ 410,875
Investment securities, at market value	2,645,372	2,250,174
Receivables, net	513,079	485,259
Deferred tax assets	92,774	121,881
Income taxes recoverable	—	95,902
Other current assets	59,725	70,349
Total Current Assets	3,815,964	3,434,440
Property and equipment, net	125,917	131,459
Intangible assets, net	96,298	93,937
Goodwill, net	307,647	336,155
Long-term investments, at market value	108,280	103,253
Deferred tax assets	84,063	79,976
Other non-current assets	55,065	46,614
Total Assets	\$4,593,234	\$4,225,834
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Medical claims payable	\$1,142,183	\$ 946,502
Reserves for future policy benefits	57,435	55,024
Unearned premiums	230,407	215,058
Accounts payable and accrued expenses	440,412	342,713
Experience rated and other refunds	223,066	249,685
Income taxes payable	84,026	—
Other current liabilities	349,757	373,882
Total Current Liabilities	2,527,286	2,182,864
Accrued postretirement benefits	68,903	67,058
Reserves for future policy benefits, non-current	291,626	319,056
Long-term debt	347,884	300,000
Other non-current liabilities	44,835	41,633
Total Liabilities	3,280,534	2,910,611
<b>Stockholders' Equity:</b>		
Preferred Stock — \$0.01 par value, 50,000,000 shares authorized, none issued and outstanding	—	—
Common Stock — \$0.01 par value, 300,000,000 shares authorized, 71,390,971 and 70,620,657 issued in 1999 and 1998, respectively	714	706
Treasury stock, at cost, 7,764,668 and 3,501,556 shares in 1999 and 1998, respectively	(481,331)	(193,435)
Additional paid-in capital	955,016	921,747
Retained earnings	854,642	576,598
Accumulated other comprehensive income	(16,341)	9,607
Total Stockholders' Equity	1,312,700	1,315,223
Total Liabilities and Stockholders' Equity	\$4,593,234	\$4,225,834

CONDENSED CONSOLIDATED INCOME STATEMENTS

(In thousands, except earnings per share)	Year Ended December 31,		
	1999	1998	1997
<b>Revenues:</b>			
Premium revenue	\$6,896,857	\$5,934,812	\$5,068,947
Management services revenue	429,336	433,960	377,138
Investment income	159,234	109,578	196,153
	7,485,427	6,478,350	5,642,238
<b>Operating expenses:</b>			
Health care services and other benefits	5,533,068	4,776,345	4,087,420
Selling expense	328,619	280,078	249,389
General and administrative expense	1,075,449	975,099	836,581
Nonrecurring costs	—	—	14,535
	6,937,136	6,031,522	5,187,925
Operating income	548,291	446,828	454,313
Interest expense	20,178	26,903	36,658
Other expense, net	40,792	27,939	31,301
Income from continuing operations before provision for income taxes, extraordinary gain and cumulative effect of accounting change	487,321	391,986	386,354
Provision for income taxes	190,110	72,438	156,917
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	297,211	319,548	229,437
<b>Discontinued operations:</b>			
Loss from workers' compensation segment, net of tax benefit of \$6,959 and \$2,126, respectively	—	(12,592)	(2,028)
Loss on disposal of workers' compensation segment, net of tax benefit of \$33,022	—	(75,676)	—
Loss from discontinued operations	—	(88,268)	(2,028)
Extraordinary gain from early extinguishment of debt, net of tax	1,891	—	—
Cumulative effect of accounting change, net of tax	(20,558)	—	—
Net income	\$ 278,544	\$ 231,280	\$ 227,409
<b>Earnings per share:</b>			
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	\$ 4.50	\$ 4.63	\$ 3.33
Loss from discontinued operations	—	(1.28)	(0.03)
Extraordinary gain from early extinguishment of debt, net of tax	0.03	—	—
Cumulative effect of accounting change, net of tax	(0.31)	—	—
Net income	\$ 4.22	\$ 3.35	\$ 3.30
<b>Earnings per share assuming full dilution:</b>			
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	\$ 4.38	\$ 4.55	\$ 3.30
Loss from discontinued operations	—	(1.26)	(0.03)
Extraordinary gain from early extinguishment of debt, net of tax	0.02	—	—
Cumulative effect of accounting change, net of tax	(0.30)	—	—
Net income	\$ 4.10	\$ 3.29	\$ 3.27

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousands)			Common Stock			Additional		Accumulated		
		Preferred	Issued		In Treasury	Paid-in	Retained	Other		
		Stock	Shares	Amount	Amount	Capital	Earnings	Comprehensive	Total	
								Income		
<b>Balance as of January 1, 1997</b>	\$	—	66,527	\$665	\$	—	\$761,879	\$117,909	\$ (9,994)	\$ 870,459
Net proceeds from common stock offering			3,000	30			110,310			110,340
Stock grants to employees and directors			6				270			270
Stock issued for employee stock option and stock purchase plans			245	3			9,853			9,856
Stock repurchased, 5 shares at cost					(103)					(103)
Comprehensive income										
Net income							227,409			227,409
Other comprehensive income, net of tax										
Change in unrealized valuation adjustment on investment securities, net of reclassification adjustment									4,938	4,938
Total comprehensive income							227,409	4,938		232,347
<b>Balance as of December 31, 1997</b>		—	69,778	698	(103)		882,312	345,318	(5,056)	1,223,169
Stock grants to employees and directors			6				399			399
Stock issued for employee stock option and stock purchase plans			837	8			39,036			39,044
Stock repurchased, 3,497 shares at cost					(193,332)					(193,332)
Comprehensive income										
Net income							231,280			231,280
Other comprehensive income, net of tax										
Change in unrealized valuation adjustment on investment securities, net of reclassification adjustment									14,663	14,663
Total comprehensive income							231,280	14,663		245,943
<b>Balance as of December 31, 1998</b>		—	70,621	706	(193,435)		921,747	576,598	9,607	1,315,223
Stock grants to employees and directors			75	1	172		3,051			3,224
Stock issued for employee stock option and stock purchase plans			695	7	3,616		30,218			33,841
Stock repurchased, 4,333 shares at cost					(291,684)					(291,684)
Net losses from treasury stock reissued								(500)		(500)
Comprehensive income										
Net income							278,544			278,544
Other comprehensive income, net of tax										
Change in unrealized valuation adjustment on investment securities, net of reclassification adjustment									(26,179)	(26,179)
Foreign currency adjustments, net of tax									231	231
Total comprehensive income							278,544	(25,948)		252,596
<b>Balance as of December 31, 1999</b>	\$	—	71,391	\$714	\$(481,331)		\$955,016	\$854,642	\$ (16,341)	\$ 1,312,700



CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Year Ended December 31,		
	1999	1998	1997
<b>Cash Flows From Operating Activities:</b>			
Income from continuing operations before extraordinary gain and cumulative effect of accounting change	\$ 297,211	\$ 319,548	\$ 229,437
Adjustments to reconcile income from continuing operations to net cash provided by continuing operating activities:			
Depreciation and amortization, net of accretion	68,767	54,590	51,239
(Gains) losses on sales of assets, net	31,898	34,679	(59,168)
Provision (benefit) for deferred income taxes	41,087	(83,261)	20,699
Amortization of deferred gain on sale of building	(4,426)	(4,425)	(4,426)
Accretion of interest on zero coupon convertible subordinated debentures	1,465	—	—
(Increase) decrease in certain assets:			
Receivables, net	(29,263)	17,621	(11,315)
Income taxes recoverable	191,079	15,099	—
Other current assets	(26,169)	(20,087)	(30,536)
Other non-current assets	(8,451)	1,978	1,719
Increase (decrease) in certain liabilities:			
Medical claims payable	195,681	23,844	170,728
Reserves for future policy benefits	(25,019)	(9,142)	407
Unearned premiums	15,349	18,853	14,072
Accounts payable and accrued expenses	107,086	(6,415)	102,662
Experience rated and other refunds	(26,619)	(5,810)	17,726
Other current liabilities	(5,227)	35,398	3,745
Accrued postretirement benefits	1,845	3,167	2,805
Other non-current liabilities	3,064	(1,027)	(13,698)
Net cash provided by continuing operating activities	829,358	394,610	496,096
Loss from discontinued operations	—	(12,592)	(2,028)
Adjustment to derive cash flows from discontinued operating activities:			
Change in net operating assets	—	7,410	59,012
Net cash provided by (used in) discontinued operating activities	—	(5,182)	56,984
Net cash provided by operating activities	829,358	389,428	553,080
<b>Cash Flows From Investing Activities:</b>			
Investments purchased	(3,456,317)	(2,843,102)	(2,641,752)
Proceeds from investments sold	2,892,802	2,666,355	1,836,541
Proceeds from investments matured	83,404	106,436	143,218
Property and equipment purchased	(38,516)	(78,431)	(58,619)
Proceeds from property and equipment sold	1,925	25,721	503
Proceeds from sale of Workers' Compensation business	—	101,413	—
Settlement of sales price for sale of Workers' Compensation business	(6,733)	—	—
Additional investment in subsidiaries	—	—	(18,317)
Acquisition of new businesses, net of cash acquired	(7,700)	—	361,977
Net cash used in continuing investing activities	(531,135)	(21,608)	(376,449)
Net cash provided by (used in) investing activities of discontinued operations	—	15,877	(76,149)
Net cash used in investing activities	(531,135)	(5,731)	(452,598)
<b>Cash Flows From Financing Activities:</b>			
Proceeds from long-term debt	200,823	—	150,000
Repayment of long-term debt	(149,788)	(88,000)	(387,000)
Net proceeds from common stock offering	—	—	110,340
Proceeds from the issuance of common stock	36,565	39,443	10,126
Common stock repurchased	(291,684)	(193,332)	(103)
Net cash used in financing activities	(204,084)	(241,889)	(116,637)
Net increase (decrease) in cash and cash equivalents	94,139	141,808	(16,155)
Cash and cash equivalents at beginning of year	410,875	269,067	285,222
Cash and cash equivalents at end of year	\$ 505,014	\$ 410,875	\$ 269,067

EXECUTIVE OFFICERS

Leonard D. Schaeffer  
Chairman and Chief Executive Officer

Joan E. Herman  
Executive Vice President  
Senior, Specialty and State Sponsored  
Programs Division

D. Mark Weinberg  
Executive Vice President  
Individual and Small Group Division

Ronald A. Williams  
Executive Vice President  
Large Group Division

David C. Colby  
Executive Vice President  
Chief Financial Officer

Clifton R. Gaus  
Executive Vice President  
Chief Administrative Officer

Thomas C. Geiser  
Executive Vice President  
General Counsel

DIRECTORS

W. Toliver Besson  
Partner  
Paul, Hastings, Janofsky & Walker

Roger E. Birk  
Former Chairman and  
Chief Executive Officer  
Merrill Lynch, Pierce,  
Fenner & Smith Incorporated

Sheila P. Burke  
Executive Dean  
John F. Kennedy School of Government  
Harvard University

Stephen L. Davenport  
Former President  
D/A Financial Group

Julie A. Hill  
President and Chief Executive Officer  
Hiram-Hill Development Company

Elizabeth A. Sanders  
Principal  
The Sanders Partnership

Leonard D. Schaeffer  
Chairman and Chief Executive Officer  
WellPoint Health Networks Inc.

CORPORATE DATA

Corporate Headquarters  
1 WellPoint Way  
Thousand Oaks, CA 91362  
www.wellpoint.com

Independent Public Accountants  
PricewaterhouseCoopers LLP  
Los Angeles, CA 90071

Transfer Agent and Registrar  
Chase/Mellon Shareholder Services L.L.C.  
Overpeck Centre  
85 Challenger Road  
Ridgefield Park, NJ 07660  
www.chasemellon.com

Investor Contact  
John Cygul  
Vice President  
Investor and Corporate Communications  
(805) 557-6789

Form 10-K Report  
Stockholders may receive without charge  
a copy of the WellPoint Health Networks Inc.  
Annual Report on Form 10-K as filed with  
the Securities and Exchange Commission  
by contacting Investor Relations at the  
Company's corporate headquarters.

Stock Listing  
Common Stock of WellPoint Health Networks  
Inc. trades on the New York Stock Exchange  
under the symbol WLP.

Supplemental condensed consolidated financial statements are included in the annual report. The completed financial statements and related notes have been mailed to all stockholders with the proxy materials related to the 2000 Annual Meeting of Stockholders to be held May 9, 2000. A copy of WellPoint's Annual Report on Form 10-K filed with the Securities and Exchange Commission may be obtained free of charge from Investor Relations at WellPoint's corporate headquarters.

Cautionary Statement: Certain statements contained in this Annual Report are forward-looking statements. Actual results could differ materially due to, among other things, operational and other difficulties associated with integrating acquired businesses, rising health care costs and trends affecting medical loss ratios, health care reform and other regulatory issues, difficulties in obtaining regulatory approvals of pending transactions, competition among managed care companies and general business conditions. Additional risk factors are listed from time to time in the Company's various reports filed with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

Blue Cross of California and WellPoint Health Networks Inc. and Blue Cross/Blue Shield of Georgia are Independent Licensees of the Blue Cross and Blue Shield Association.

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UNICARE plans are provided by various entities including UNICARE Life & Health Insurance Company, UNICARE Health Plan of the Midwest, Inc. and UNICARE Health Insurance Company of the Midwest.